

11 AUG 1977

MEMORANDUM FOR: Assistant for Information, DDA

FROM: James H. McDonald
Director of Logistics

SUBJECT: Agency Relations with the U. S. Business
Community: Recommendations of the
Inspector General

REFERENCE: (a) Memo dtd 27 Feb 77 to Multiple
Addressees from A-DCI, same
subject (ER 77-011/3)

(b) Memo dtd 9 Mar 77 to D/L and D/Pers
from AI/DDA, same subject
(DDA 77-1310; OL 7 1113)

(c) Memo dtd 30 Mar 77 to AI/DDA from
D/L, same subject (OL 7 1382)

1. Reference (a) provided approval or disapproval on IG recommendations included in the subject November 1976 inspection report as well as certain instructions for action. Reference (b) requested action by the Directors of Logistics and Personnel and feedback to facilitate a consolidated reply on behalf of the DD/A. Reference (c) reported progress as of that date and discussed Office of Logistics' plans for satisfying various IG recommendations. Action recommended in the subject report and approved by the A-DCI has now been completed for all items assigned to this Office. Paragraphs which follow summarize actions completed.

2. Recommendation 3: That CIA commitment to the principle of competitive contracting be reaffirmed, beginning with a policy statement from the DCI.

Approved: The DD/A, in coordination with the DD/S&T, should submit a statement for my approval within 60 days which is appropriate for inclusion in Agency regulations.

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Action: Action is complete on this recommendation.
An appropriate policy statement was distributed
by the DDCI and also incorporated into

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3. Recommendation 4: That OL review all existing training and find new ways to emphasize the legal basis, the desirability, and methods of promoting competitive contracting, and that both contracting officers and requirements officers be exposed to the training.

Approved: The DD/A should submit a report to me
on the findings and action taken.

Action: Reference (c) outlined a plan of action for satisfaction of this recommendation which called for establishment of a new training course to cover preparation of RFPs and source selection. We have performed additional review of this matter and have concluded that existing communication channels are excellent for promulgating information on the competitive process. Utilization of these channels coupled with slight enhancement of our Project Officer in the Contract Cycle course will achieve desired results and avoid the expense of establishing a new training program. Based on actions described below, we consider our requirement on this recommendation complete.

A Procurement Policy Panel was established in 1970 by the Director of Logistics which includes as members the Chiefs of the various decentralized procurement elements and the Chief and Branch Chiefs of the Procurement Division in OL. The Chief of our Procurement Management Staff chairs this Panel. The panel examines and evaluates existing Agency procurement policy and recommends to the Director of Logistics ways of clarifying, improving or revising such policy. The importance of competition and methods for improving same have been discussed by the Panel and will continue as priority matters for attention by the Panel.

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STAT A draft of an updated revision of Headquarters [redacted] has been prepared and is in the hands of the DDA Regulations Control Branch for Agency-wide coordination. The policy statement from the DDCI which affirms the commitment of CIA to the principle of competition in contracting has been incorporated into the revised handbook. Also incorporated are chapters on source selection, evaluation of contractor proposals, and source evaluation which are consistent with current applicable procurement law. The language in these chapters emphasizes the legal basis, the desirability and methods of promoting competitive contracting, and requires exposure and involvement by requirements and contracting officers alike.

Discussions have been held between the Chief of my Procurement Management Staff and the OTR administrator for the Project Officer in the Contract Cycle course regarding possible changes to provide more information on the competitive process. They have concluded that the course as presently configured will do the job but that instructors should place additional emphasis on the competitive process as defined in the update of the Procurement Handbook. One proposed revision is to shorten the course from five days to three days to make it more attractive to greater numbers of requirements officers. New contracting officers will be required to take the course in order that they understand thoroughly the procedures for Agency procurement. Special runnings of the course are being arranged by request. The first special running of the course is scheduled for OTS on 15 August 1977 with a second special running for the DDI shortly thereafter.

Finally, the Agency Contract Review Board, which reviews all procurement actions with a dollar value of \$300,000 or more, is being utilized as a forum for communication and enforcement of policies and regulations applicable to competition and source selection. Sole source justifications are reviewed

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in depth and a procurement request may be rejected if inadequate. Informational suggestions are being included on dockets returned to requirements groups which discuss methods for improving the procurement process. Of particular value is the information which senior level requirements officers receive through serving as members of the Panel.

4. Recommendation 6: That OL articulate guidelines for contracting officers, expanding on those now in existence, to define types of situations where sole-source procedures are proper for the Agency.

Approved: The DD/A should incorporate the expanded guidelines into Agency regulations.

Action: This action was reclamaed via reference (c) as being counterproductive when the Agency is attempting to improve its record in competing contracts. We are taking no action.

5. Recommendation 7: That CRB (Contract Review Board) proceed, as we are informed OL intends, to review production and other contracts in the same way it does DDS&T's contracts.

Approved: It is understood that the Board's jurisdiction will continue to be limited to Agency contracts and not those of National programs. The DD/A should consider raising the dollar threshold for review in light of the Board's expanded jurisdiction.

Action: Action has been completed as reported in reference (c).

6. Recommendation 8: That OL review its Table of Organization in comparison to comparable Government organizations as well as its distribution of professionals noted in Attachment D (Section D of attachment to IG's Report) with a view toward possible increases in personnel numbers and grade levels.

Approved: I understand the recommended review has been completed within the Office of Personnel.

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The DD/A should inform me of the results of that review and provide any recommendations within thirty days.

Action: OL has taken no action beyond responding to queries from OP/PMCD since this is an OP/DDA action. We would be interested in the results of action by that Office on this recommendation.

7. Recommendation 9: That a systematic and consistent Agency procedure be established to insure that the contracting officer's participation is solicited at the earliest time in the pre-proposal process; and that source-selection be organized in a way that recognizes the independent responsibilities of the contracting officer, in accordance with the Armed Services Procurement Regulations.

Approved: The DD/A, in coordination with the DD/S&T, should develop guidance on these points which should then be incorporated into Agency regulations.

Action: A statement has been included in the revised Procurement Handbook which states:
"It is essential to orderly procurement of supplies and services that each Requiring Office's internal procedures are structured to bring contracting officers into the pre-procurement planning cycle at the earliest possible point in time and in any event before proposals are solicited or unsolicited proposals are acted upon." This action coupled with those described in paragraph 3 above complete action on this recommendation.

8. In summary, we believe that the recommendations of the inspectors who handled the subject inspection were on target. The actions taken in response to their recommendations will have long term positive impact on Agency procurement and they should be commended for their excellent work.

/s/ James H. McDonald

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